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CHILE: The junta believes that it is finding additional justification for having ousted the Allende government on 11 September and for not returning the country to the politicians for some time.

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[REDACTED]
[REDACTED] Officers consider the discovery of guerrilla camps and arms caches in Santiago and southern provinces as further proof that Chilean, Cuban, and other Latin American revolutionaries were preparing to "eliminate the armed forces," probably in retaliation for recent military raids on leftist strongholds such as barricaded factories. [REDACTED]

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Armed attacks on military installations in Valparaiso and Santiago and the activities of leftists using army and police uniforms and vehicles will aid the junta's plans to propagandize its case before Chile and the world.

Junta President General Pinochet's claim that fewer than 100 Chileans have died in the violence is unlikely to be credited; [REDACTED]

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[REDACTED] The armed forces have been surprised at the fierce resistance in the crowded Santiago slums and have postponed air and artillery attacks for fear of killing women and children who are among the thousands holed up there. [REDACTED]

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Claims of the clandestine leftist radio stations that many Marxist leaders, including ailing Nobel poet Pablo Neruda, were executed are exaggerated. The junta is backing up its increasingly hard

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anti-Marxist line, however, with extensive arrests, summary execution of armed resisters, and plans for execution, imprisonment, or exile of key Allende supporters.

The military government is annoyed with the stance of the Christian Democratic Party (PDC), despite the party's mild statement of support for the junta. The PDC has taken sharp exception to the dissolution of Congress, where it had the largest representation, and one of its leftist leaders unsuccessfully petitioned for protection of the normal legal rights of detained former officials. The Brazilian Government reportedly is satisfied that the junta is taking the advice of conservative non-partisan civilians. This strengthens reports that the new constitution, which one ranking naval officer says the junta wants to present as soon as possible, would provide for a congress that represents interest groups as well as political parties.

The junta's brisk moves in administrative and economic matters should soon help to bring about the semblance of normality that the armed forces want.

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Many of the most deeply resented agricultural and distribution policies of the Allende administration are being quickly reversed. If the substitutions and outside aid already requested are effective in easing urgent shortages and other immediate economic dislocations, the junta will be accepted if not acclaimed by the large Chilean middle class that had been taking the brunt of the squeeze. This could include the labor elites, such as the copper workers, but the lowest paid workers who under Allende fared better than ever in their history may respond to leftist urgings to oppose the new government.

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CAMBODIA: Communist military activity shifted away from Kompong Cham this weekend. Southeast of Phnom Penh enemy forces have once again cut Route 1, and government efforts to reopen the road have been rebuffed.

The Communist command also appears bent on expanding its campaign against key provincial capitals.

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Kompong Speu has already come under sporadic rocket and mortar fire,

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The Communists probably have no illusions of occupying either city at present. The timing of the attacks does suggest, however, that they want to distract government forces from reopening Routes 4 and 5 and, more important, to divert crucial government reserves from the defense of Kompong Cham.

In the Kompong Cham area, neither side made headway over the weekend. Government forces have not been able to drive insurgents from the university grounds immediately west of the city, but they have withstood several enemy attempts to breach their defense perimeter.

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SWEDEN: Olof Palme apparently will remain Sweden's Prime Minister for another three years, even though voters moved to the right in yesterday's elections.

Palme's Social Democrats lost seven seats in parliament, dropping to 156, according to a tally of all but the absentee ballots. The Communists, however, on whom Palme's minority government has relied for its majority in crucial votes, picked up three seats for a total of 20, thus retaining a 176-174 majority for the bloc. Palme now has a choice of continuing his present arrangement or, less likely, of attempting a coalition with one of the nonsocialist parties.

Foreign policy issues did not figure importantly in the campaign. The Social Democrats did attempt to hold supporters in the center by appearing more balanced; spokesmen implied they sought better relations with the US, and they criticized the repression of dissident intellectuals in the USSR. This moderation may have cost Palme some votes on the left.

The election in Norway the previous weekend probably had a more important impact. In Norway, large numbers of Labor Party supporters stayed home and thereby handed their party a big setback. This fact received prominent play in the Swedish press; thus warned, the Social Democrats and the trade union organization got out over 90 percent of the vote.

One of Palme's major objectives will be to reverse the six-year-old trend away from his party. Whether he attempts to do this by recapturing disaffected supporters in the center, or on the left, will be a major determinant of how Sweden behaves on international issues for the foreseeable future.

[REDACTED]

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CSCE: The most crucial and difficult stage of the Conference on Security and Cooperation in Europe gets under way in Geneva tomorrow. It will prepare the declarations and agreements that will be formally sanctioned at the final stage of the conference, to be held at the ministerial or summit level.

During several months of preparations in Helsinki, beginning late last November, a number of "mandates," or terms of reference, were agreed upon. They will serve as the basis of work for the remainder of the conference. The preparations, as well as the speeches at the ceremonial opening of the conference in early July, showed that ideological differences between East and West will dominate the stage that is about to begin.

The Soviets will be pressing for an unequivocal statement of the principle of inviolability of frontiers. This, in their view, would ratify the status quo in Europe and would sanction in a multilateral forum the division of Germany. The West, while realizing that the participants will have to agree to the principle in some form, will be trying to modify the wording to allow for peaceful changes in the borders of states. The most important goal for the Western countries in the conference, however, will be the approval of specific agreements to encourage the freer movement of people and ideas between East and West.

Moscow has been surprised by the firmness of the West on this issue, and Soviet efforts to cope with it have been less than consistent. Brezhnev, in what has been termed a "victory-through-contacts" approach, appeared to welcome increased contacts in a speech at Alma Ata on 15 August, but generally the Soviets are still defensive and suspicious about such a possibility. Moscow's assumption that its anti-dissident campaign could be concluded without damaging the prospects for CSCE could have been a miscalculation. The strong Western reaction may have influenced Moscow to ease up on the dissidents and to halt the jamming of most Western broadcasts.

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The Soviets hope that this stage of the conference will not be excessively detailed and will be over by the end of the year, but their desires are unlikely to be satisfied on either count. The West European allies, who have been hard at work preparing their positions, want a detailed and lengthy consideration of the issues and will no doubt argue forcefully for their points of view. The Soviets, however, will probably be unwilling to enter into real bargaining at the Vienna force reduction talks until the security conference has ended.

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NETHERLANDS: Continued strong upward pressure on the guilder, combined with domestic considerations, led The Hague to announce a 5-percent revaluation Saturday. The Netherlands posted a balance-of-payments surplus of some \$2 billion from 31 August 1972 to 31 August 1973. The guilder recently has traded close to the upper limit of the EC joint float band.

The government's main interest in revaluing was to try to bridle the strong domestic inflation that has been eroding real income and making labor increasingly restive. In recent months, consumer prices have been rising at an annual rate of about 8 percent. The revaluation and other anti-inflationary measures to be announced Tuesday in the Queen's speech to the new Parliament are aimed toward strengthening the government's hand in the coming critical talks with unions and employers on wage increases for 1974.

Last year labor achieved gains that have pushed up hourly wage rates in manufacturing by more than 10 percent. This year, however, the labor market is not as tight, and the adoption of positive measures, such as the revaluation, may help curb labor's clamor for pay hikes that go beyond compensation for the higher cost of living.

FOR THE RECORD*

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Bulgaria-USSR: Soviet party chief Leonid Brezhnev will visit Sofia later this month, according to a TASS announcement. Brezhnev and Bulgarian party boss Todor Zhivkov last talked in late July at the conference of party leaders in the Crimea.

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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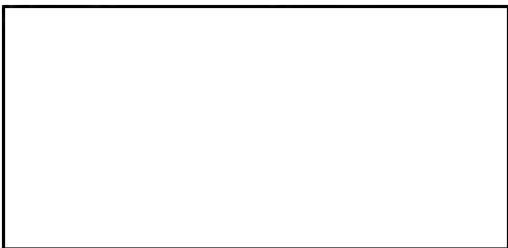
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